STATE ALLOCATION BOARD
1130 K Street, Suite 400
Sacramento, CA 95814
http://www.dgs.ca.gov/opsc

Date: August 20, 2004

To: Interested Parties

Subject: **NOTICE OF THE STATE ALLOCATION BOARD IMPLEMENTATION COMMITTEE MEETING**

Notice is hereby provided that the State Allocation Board Implementation Committee will hold a meeting on Thursday, September 2, 2004 (9:30 am - 3:30 pm) at the Legislative Office Building, 1020 N Street, Room 100, Sacramento.

The Implementation Committee's proposed agenda is as follows:

1. Convene Meeting

2. Bidding Climate Report
   Discussion of the following topics and its impacts on the high bidding climate:
   - *Further review of regulations to modify Class B Index used for the School Facility Program.*
   - *Possible creation of an additional grant for technology.*
   - *Possible additional category for site development costs.*

3. Enrollment Projection Augmentation and Student Yield Factor
   - *Continued discussion of the appropriate time limit for reporting dwelling units and other clarifying language required on the Enrollment Certification/Projection form.*
   - *Discussion of a consistent criteria used for Student Yield Factor studies.*

4. Purchase and Conversion of Non-Conforming Buildings for School Use
   Review amendments to determine the need for regulatory amendments related to the funding of projects involving the purchase and retrofit of buildings for school use.

Any interested person may present public testimony or comments at this meeting regarding the issues scheduled for discussion. Any public input regarding unscheduled issues should be presented in writing, which may then be scheduled for a future meeting. For additional information, please contact Christine Sanchez at (916) 322-0328.

BRUCE B. HANCOCK
Chairperson

BBH:LM:cs

STATE ALLOCATION BOARD

IMPLEMENTATION COMMITTEE

Pending Items List
September 2, 2004

A. Future Items

- Increased Capacity for Replaced Facilities, SFP Regulation Section 1859.73.2

- Classroom Inventory Adjustments for Educational Program and Facility Transfers

- SFP – Project Rescission

- Follow-up to 180-Day Regulation: *District Funded Facilities Included in Existing School Building Capacity (approved at the May 26, 2004 State Allocation Board)*

B. Suspended Items

- None

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
September 2, 2004

BIDDING CLIMATE REPORT

PURPOSE

To change existing language in the School Facility Program (SFP) Regulation Section 1859.2 definition of "Class B Construction Cost Index."

BACKGROUND

The June 23, 2004 Bidding Climate Report provided various types of cost construction indices. As a result of this report Staff reviewed the comparisons of each Class B building construction cost indices and determined that the index more aligned to construction cost in California is the Marshall and Swift, 8 California Cities Index rather than the 10 Western States index. The current index allowed for in regulation represents the 10 Western States (AZ, CA, CO, ID, MT, NM, NV, OR, UT, WA).

AUTHORITY

SFP Regulation Section 1859.2 Definitions, "Class B Construction Cost Index is a construction factor index that is provided monthly by Marshall's and Swift, for the Western area, for structure made of reinforced concrete or steel frames, concrete floors, and roofs accepted by the Board. "

DISCUSSION

8 California Cities Index

At the August 5, 2004 Implementation Committee meeting, Staff recommended changing the definition listed for Class B Index (see Attachment 1) of the SFP regulations. At this Committee meeting it was determined that the 8 California Cities Index (Bakersfield, Eureka, Fresno, Los Angeles, Riverside, Sacramento, San Diego, and San Francisco) more appropriately reflects the construction costs in California.

The OPSC had intended on processing the construction cost index change to the 8 California Cities Index administratively. As a result of further discussion with Committee members, the OPSC understands that the regulation/construction cost index change may impact developer fees (i.e. offsite improvements). Therefore, the OPSC will submit this change through the formal regulatory process to allow further discussion.

Subcontractor Cost Index

Although the Committee agreed to change the current construction cost index to the 8 California Cities Index, the audience members requested the Office of Public School Construction (OPSC) to explore possibly using a subcontractor cost index. Staff contacted the Sierra West Group to obtain data regarding the Lee Saylor Subcontractor Cost Index (LSSCI). While at first the index appeared to have some merit, a thorough analysis revealed that the LSSCI was not a comparable index as it includes "21 Basic In-Place Materials" versus raw materials and labor. Additionally, some of the materials included in the LSSCI are inconsistent with building a school. Typical school building materials, such as metal stud framing, are not included. Furthermore, the LSSCI is not considered a Class B index and therefore would require legislative change.

Other Considerations

The OPSC recognizes that this is not the overall solution for bid climate issue. Other considerations mentioned at the meeting require legislation and will take time for any possible changes to occur. Staff will be continuing to research the bid climate issue and our findings will be presented at future Implementation Committee meetings. In addition, Staff is exploring creating a survey to better understand individual districts' issues to gain further insight on the problems and how better to address them.

RECOMMENDATION

Change the Marshall & Swift Class B to the 8 California Cities Index for the January 2005 construction cost index adjustment. Staff believes that it is more appropriate to use an index based on locations in which SFP funding will potentially occur.

ATTACHMENT 1

Administration
Division 2. Financial Operations
Chapter 3. Department of General Services
Subchapter 4. Office of Public School Construction
Group 1. State Allocation Board
Subgroup 5.5. Regulations Relating to the Leroy F. Greene School Facilities Act of 1998:
(School Facility Program)

Article 1. General Provisions and Definitions

…
Section 1859.2. Definitions.

For the purpose of these regulations, the terms set forth below shall have the following meanings, subject to the provisions of the Act:

"Academic Achievement" means to improve one's ability to engage in academic endeavors and to accomplish study in core curriculum areas such as reading, writing, mathematics, fine arts, science, vocational education, technology, history or social science.
"Act" means the Leroy F. Greene School Facilities Act of 1998.

...

"Class B Construction Cost Index" is a construction factor index that is provided monthly by Marshall and Swift, for the ~~Western area~~, 8 California Cities for structures made of reinforced concrete or steel frames, concrete floors, and roofs, and accepted and used by the Board.

...

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, June 23, 2004

BIDDING CLIMATE REPORT

PURPOSE OF REPORT

To report on the impact the bidding climate has had on the school construction industry.

DESCRIPTION

At the April 2004 State Allocation Board (SAB) meeting, the Board asked the Office of Public School Construction (OPSC) to look into a number of issues and requested the OPSC outline what the OPSC could do administratively to help districts deal with the high bid climate. Specifically, the following topics needed to be addressed:

- Construction Cost Index
- 18-month time limit on fund release
- Per pupil base grant

EXECUTIVE SUMMARY

School districts and design professionals engaged in the construction and modernization of facilities funded through the School Facility Program (SFP) report significant difficulties in receiving competitive bids on projects. Evidence of recently bid projects exceeding project budgets by unacceptable amounts has been provided to Staff. A review of five construction cost indexes published by three different private firms indicates that there has been an increase in construction costs statewide from 2 percent to 4.4 percent since the first of the year. As substantial as these increases are, they do not reflect the increases reported by school districts and project architects. The discrepancy appears to be primarily attributable to increased profit margins resulting from market inundation. New construction appears to have become a primary support of the California economy. Although possibly a short term issue, the current bid climate is having an effect on the ability of some districts to successfully bid school construction projects.

The requirement that all projects bid within 18 months of receipt of an apportionment has been met successfully on the overwhelming majority of SFP projects. Of the 4,700 projects that have been apportioned under the SFP since 1999, less than 100 have not met the 18-month requirement. However, some school districts report that in order to meet the timeline, they have been forced to accept bids in excess of the budget. The OPSC strongly supports the retention of the 18-month requirement; however, Staff concedes that in some recent projects under the current bid climate, it may have been met at a premium cost.

The issue of the adequacy of the grants is too large to be addressed in this brief report. School district organizations are looking into the matter, and the OPSC and SAB have representatives in those discussions.

The complete “Bidding Climate Report” with supporting charts is included as an Attachment to this report.

CONSIDERATIONS

The SAB administers the SFP under statute which prescribes the amount of the per pupil grant that can be apportioned to qualified school districts. The SAB has very limited latitude to address the problems and issues associated with an overheated construction climate and the corresponding loss of competitive bidding. Most of the possible ‘solutions’ that might have a substantial effect on the current situation must be accomplished through legislation. Given that some of the market issues may change in the next twelve months, it may be that legislative change in some instances would be too late and possibly unwarranted.

(Continued on Page Two)

CONSIDERATIONS (cont.)

The OPSC has identified a number of possible approaches to mitigate the current bid climate situation. Except as may be reflected in comments in "The Bidding Climate Report", Staff makes no recommendations as to the merit of particular ideas.

1. Create an additional grant for technology which includes computers, wiring and equipment to support computers and additional power to operate computers. Allow this grant to be used for installing Electronic Monitoring Systems into schools (regulatory change).

2. Provide an additional eligible category of site development costs similar to the general site funding provided in the Lease Purchase Program (regulatory change).

3. Change the Class B Index currently used by the SAB. Consider using the Marshall and Swift index for the eight California cities only (regulatory change).

4. Modify existing law that requires an annual adjustment to the per-pupil grant utilizing the Class B Index to allow for a more frequent (semi-annually, quarterly or monthly) adjustment of the Index (requires legislative remedy).

5. Adjust the State apportionment according to the construction cost index in effect as of the date of the bid opening (requires legislative remedy).

6. Modify existing law to allow for the SFP per pupil grant to be reviewed every five to ten years and allow the SAB to reestablish the base grant based upon current Title 24 code requirements (requires legislative remedy).

7. Limit the amount of funding made available in a specific period of time through staggered apportionments (regulatory change).

ATTACHMENT C
State Allocation Board Meeting, June 23, 2004

REPORT SOURCES

The OPSC relied primarily on information gathered from architects, design professionals and various trade publications and information gathered from the administration of the State school building programs. The following is a complete listing of the sources used:

- Funds Released by Month from Proposition 1A and 47 (Funds released from March 1999 through May 2004)

- Comparison of CCI Indices
  This chart compares various Marshall & Swift Indices with the Engineer's News Report and Lee Saylor Index from January 2004 through May 2004 – Attachment A

- Comparison of CCI Indices
  This chart compares various Marshall & Swift Indices with the Engineer's News Report and Lee Saylor Index from January 1999 through January 2004 - Attachment B

The following resources are not included in this report, however, were used as additional references:

- Lee Saylor Index
  A summary report prepared by the Sierra West Group, Construction Consultants for Saylor Publications, Inc showing an average one-year increase in labor, material and subcontracting costs**.**

- School Facility Program Projects for New Construction/Modernization approved under Propositions 1A, 47 and 55.

- Marshall and Swift Class B Building Indexes for 10 Western States, 8 California Cities, and San Francisco/Los Angeles

- California Department of Finance, *California Economic Indicators* (January/February 2004)

- Interviews with Architects and Design professionals
  The OPSC staff conducted interviews relating to issues that impact the current construction climate.

BIDDING CLIMATE

The bidding climate is comprised of many different factors that control the price of materials used in manufacturing; the number of contractors, inflation, labor costs and the State's economy to name a few. Many of these are factors that cannot be controlled by the SAB and are dictated by the market through supply and demand.

There has been concern expressed over whether the nearly $18 billion in funding allocated by the SAB since 1999 has had a strong adverse effect on the bidding climate. With billions of dollars of State funding released, are there enough qualified contractors to meet the demand for building/modernizing of schools? The SAB at its meeting in December 2002 allocated nearly $5.4 billion which represented 1,931 new construction and modernization projects ready for construction. Although a large number of these projects which had been on waiting lists for as much as two years had already been bid, many more went to bid in the months immediately following the apportionments. These projects may have taken much of the available material and labor supply. Districts that followed that initial surge by bidding projects during the latter part of 2003 and into 2004 have seen a subsequent rise in the costs of various materials, especially lumber, concrete and steel.

The bonding requirement for public works contracts and the special nature of the Field Act keep most small contractors and subcontractors out of the competition for school projects. Additionally, prevailing wage and other reporting and contracting requirements of public works projects may keep some intermediate and large contractors from competing in the school construction market, especially when the general construction market is hot. At the same time that large amounts of school construction funds were flowing into the economy, new home construction was booming in California. It remains strong in 2004. Contractors that build new homes and commercial projects use many of the same subcontractors for their work as they do for school projects. Thus, activity in the non-school construction market may have had an additional effect on the already active school construction arena.

The disparate increases in the bids that districts have reported to the OPSC are believed to be caused by a mixture of limited contractors and the anticipated increase in the price of materials. Both of these factors in turn produce a domino effect for contractors and suppliers to inflate estimates so that when these projects are ready to be constructed, the contractors have accounted for the increase in materials. Based upon these assumptions, the OPSC believes the State funding allocated to districts from the December 2002 SAB meeting, combined with a very active California construction market, may have caused pockets of high bids where the market may have been flooded and the availability of contractors may be limited. The OPSC believes that this will be short-lived as the amount of funding being allocated has leveled off; however, in the future, it may be advisable to stagger apportionments when faced with funding requests for large numbers of projects.

Comments/Interviews

While conducting interviews with architects and design professionals, the OPSC received information that included both written and verbal comments regarding the difficulty of obtaining a sufficient number of responsive bidders or receiving competitive pricing on specific projects. These individuals argued that the 18-month time requirement to request a fund release is too restrictive and should be extended. Many stated that bids for school projects were in excess of the architect's estimate and with the requirement of the 18-month timeframe to request a fund release, districts are forced to accept these high bids. The OPSC does not collect and track bid information and while these comments albeit may reflect issues in some areas in the State, they do not consider other factors. These factors include but are not limited to whether the project was designed within the State/district apportionment, if significant modifications were made to the plans and specifications or if the architect's original cost estimate reflected current costs of labor/materials.

Construction Cost Index

The SAB is statutorily required to use a Class B Building index and to adjust the basic per-pupil grant that is the foundation for the apportionments made under the SFP on an annual basis. In its analysis, the OPSC examined several different Class B Building construction cost indices for the last five months in 2004 (see Attachment A) and for the last five years from 1999 to 2004 (see Attachment B). Our findings are summarized below with a brief description of the indices' methodology.

Marshall & Swift Company

The Marshall & Swift (M&S) Company produces a regular cost index (concrete and steel construction) designed to adjust base costs to current market conditions. The M&S Construction cost index tracks 12 kinds of materials from a minimum of two to five suppliers. If the costs are the same after two sources, the M&S uses the average of two similar costs. If costs vary, up to five suppliers are tracked, plus sales tax. Six trades are tracked; common labor, electricians, bricklayers, carpenters, structural iron workers and plumbers.

Marshall & Swift Company – Based on 10 Western States
5 Month Accumulative Inflation: 1.99 Percent
5 Year Accumulative Inflation: 15.3 Percent

The SAB/OPSC currently uses a M&S Class B Building Index that represents the 10 western states to adjust certain program-related costs. This includes states such as Idaho and Montana and might not represent the costs associated with the California market.

Marshall & Swift Company – Based on 8 California Cities
5 Month Accumulative Inflation: Not Available
5 Year Accumulative Inflation: 15.9 Percent

The OPSC reviewed an additional index produced by the M&S for the Class B Building Index for eight cities in California.

Marshall & Swift Company – Based on San Francisco and Los Angeles, California
5 Month Accumulative Inflation: Not Available
5 Year Accumulative Inflation: 18.0 Percent

The M&S also produces a Class B Building Index based on costs in the Los Angeles and San Francisco areas only, that the OPSC reviewed as part of this report.

Lee Saylor Index (LSI) – California
5 Month Accumulative Inflation: 2.89 Percent
5 Year Accumulative Inflation: 19.6 Percent

This index is prepared by the Sierra West Group, Construction Consultants for Saylor Publications, Inc. showing an average one-year increase in labor, material and subcontracting costs. The LSI Cost Indices represent material and labor including subcontractor's prices which includes 23 selected materials and 21 basic in-place materials used by subcontractors. Nine trades are tracked; carpenters, bricklayers, ironworkers, laborers, painters, engineers, plasterers, plumbers, electricians and teamsters. The index is composed of 64 percent labor and 46 percent material and is based upon data from California cities.

Engineering News-Record/California ~~Construction~~ Building Cost Index - San Francisco and Los Angeles
5 Month Accumulative Inflation: 4.38 Percent
5 Year Accumulative Inflation: 5.4 Percent

The Engineering News-Record (ENR) obtains their inflation rate for the United States from the M&S as well as the average change for the 95 cities in the United States. The ENR's building cost index tracks monthly three types of material; structural steel, Portland cement, and 2X4 lumber using spot pricing collected from a single source in each city. The average of 20-city wage-fringe labor rates for three trades are tracked; bricklayers, carpenters, and structural iron workers. This index is used by the Department of General Services, Real Estate Services Division and the other State agencies.

The OPSC reviewed the Class B Building indices from January 2004 to May 2004 and there has been a steady rise in the index with an accumulated increase that varies from nearly two percent to just over four percent. These indices reflect a rise in construction costs which may be due to the rise in concrete and steel and light frame construction (see Attachment A). However, this rise does not reflect the increase reported to the SAB and the OPSC.

Although there is an increase in materials and labor as indicated from several indices reviewed, it is not commensurate with the high bids that districts are experiencing. The highest accumulative index, the LSI, is 19.6 percent which would be an average of 3.8 percent increase per year (see Attachment B).

18-MONTH TIME LIMIT ON FUND RELEASE

The 18-month requirement for a fund release was set forth in Senate Bill 50 which was created in August 1998. It was a new requirement as compared to the previous State school building program, the Lease-Purchase Program (LPP). This requirement requires districts to certify that they have a contract ready for construction within 18 months of the apportionment date. The SFP grant is processed for release when the district submits a Form SAB 50-05, *Fund Release Authorization.* When signing this form, the district is certifying that it has entered into a binding contract(s) for at least 50 percent of the construction included in the plans applicable to the State funded project, and has issued the Notice to Proceed for that contract.

During the OPSC interviews with architects, they indicated that the 18-month time requirement to request a fund release is too restrictive and should be extended. It is argued that extending the 18-month requirement will give districts more flexibility in timing bids to minimize the flooding of the market, and to anticipate rising costs in labor and materials. Furthermore, if a bid came in too high or there was a lack of bidders to ensure competitive pricing, the additional time would allow the district to time its bid and avoid bidding during the spring and summer months when school construction demand is at its highest. Also, this additional time would allow the architect to perform value engineering if necessary to evaluate the cost of the project and redesign the project. Although these considerations have merit, the intent of the SFP was to have the district and its architect design and have a project ready to be built as soon as the SAB allocated the funding. The SFP requires that new construction or modernization plans be Division of the State Architect (DSA) approved and all site selection and any site cleanup measures be performed prior to funding to enable districts to bid the project immediately after the SAB apportionment. Therefore, the 18-month timeframe should provide adequate time for a district to bid the SAB approved project.

The vast majority of projects which received new construction and modernization funding from the inception of the SFP have submitted their fund release authorization form to the OPSC as identified by the total number of funds remaining to be released to districts. Since the beginning of the SFP in 1999 through May 2004, the OPSC has released nearly $14.4 billion under the SFP which represents 4,695 new construction and modernization projects. A report ran by the OPSC indicates that the average number of days between the date of SAB apportionment and the submittal date of the

fund release authorization form since 1999 was 101 days for new construction and 163 days for modernization. This represents approximately three to six months which further indicates that the majority of the projects that have been apportioned have contracts in place. In reviewing this data at face value, it could indicate that there is no unusually strong reaction to the large amount of bond funding that has been apportioned by the SAB. The projects appear to be proceeding without undue delay.

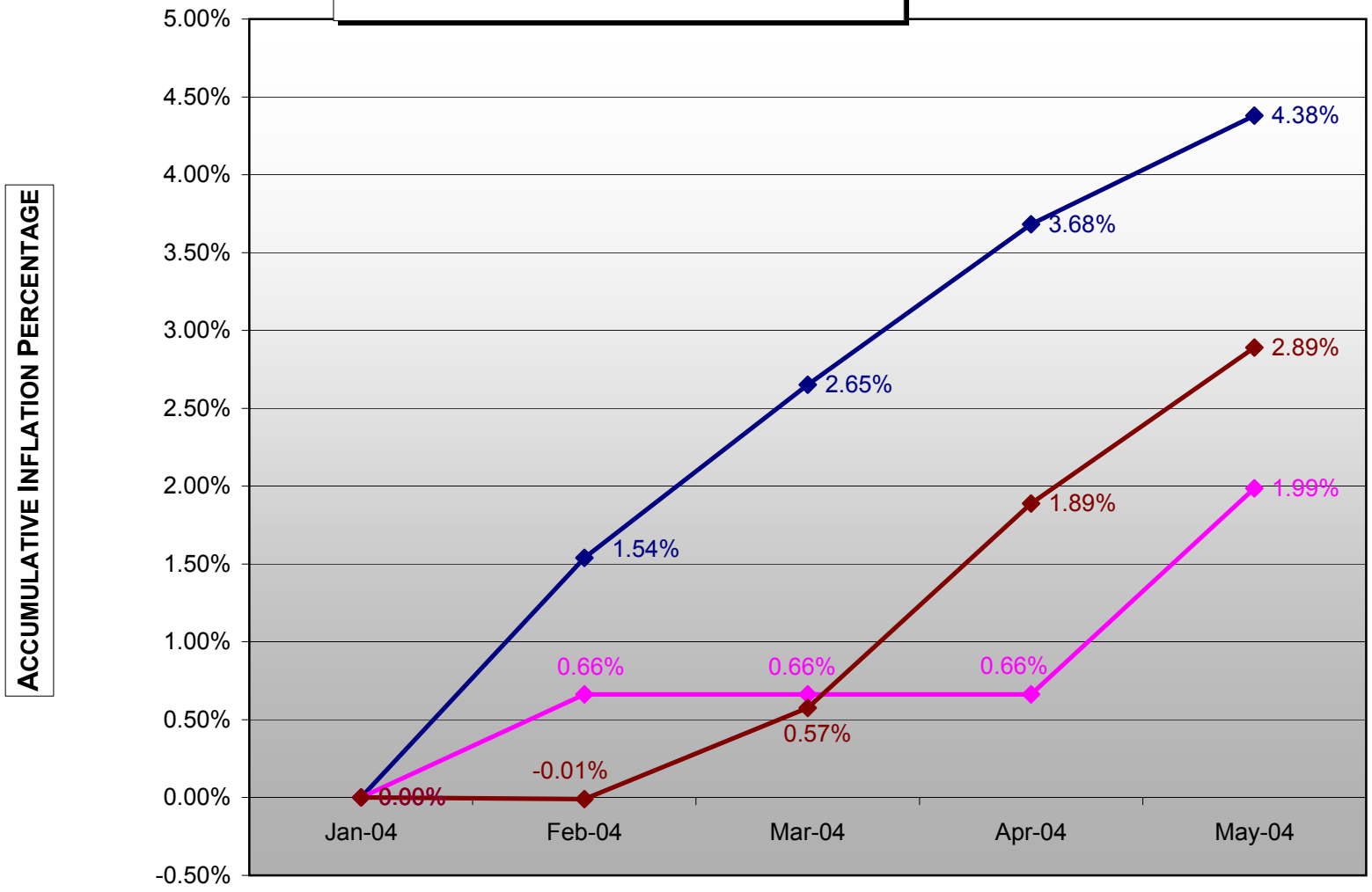
Furthermore, the construction cost index that is in effect at the time the apportionment is made to adjust for inflation becomes ineffective the longer it takes a project to be bid. Extending the 18-month timeline only exacerbates the problem of competitive bidding. Therefore, the OPSC does not recommend a change to the 18-month requirement for fund release. The OPSC believes that the intent of a set timeframe for fund release was to ensure that the construction of schools and the modernization of facilities were realized. In addition, the 18-month timeframe is a fundamental reason for the success of the SFP. Based upon the above reasons, the OPSC does not believe any changes to the 18-month time limit to request funding is necessary.

SFP PER PUPIL BASE GRANT

An examination of the adequacy of the per pupil grant specified in law is beyond the scope of this Report. The original grant amount was developed from information on the apportionments made to 100 projects of various grade levels in the LPP. School district groups are looking into the matter of the adequacy of the per pupil grant. Representatives of the OPSC, SAB and California Department of Education have been invited to participate.

The grant, along with amounts for site development and site acquisition, make up the total funding that may be apportioned to a project. Staff does recommend further review of the funding made available through SAB regulation for the purposes of site development to ensure that all appropriate costs are included.

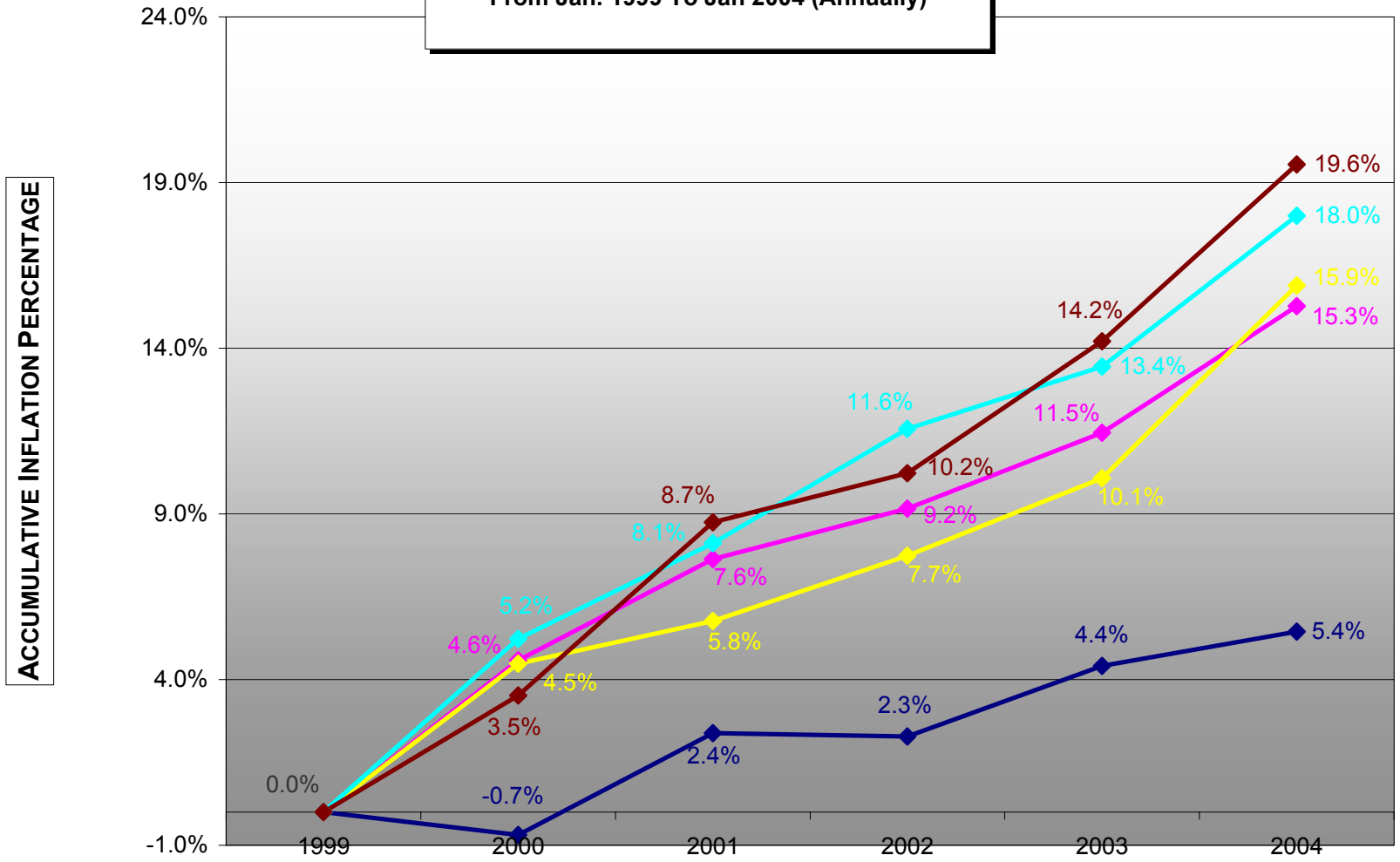
Attachment A
CONSTRUCTION COST INDEXES COMPARISON
From Jan. 2004 To May 2004



	Jan-04	Feb-04	Mar-04	Apr-04	May-04
ENR/BCI ACCUM. % S.F. & L.A.	0.00%	1.54%	2.65%	3.68%	4.38%
M&S ACCUM. % 10 W. STATES CLASS B	0.00%	0.66%	0.66%	0.66%	1.99%
LSI CI % CALIFORNIA	0.00%	-0.01%	0.57%	1.89%	2.89%

Data for "M&S CCI % 8 CAL. CITIES CLASS B" and "M&S CCI % S.F. & L.A. CLASS B" is not available.

Attachment B
CONSTRUCTION COST INDEXES COMPARISON
From Jan. 1999 To Jan 2004 (Annually)



	Jan-99	Jan-00	Jan-01	Jan-02	Jan-03	Jan-04
ENR/BCI % S.F. & L.A.	0.0%	-0.7%	2.4%	2.3%	4.4%	5.4%
M&S CCI % 10 W. STATES CLASS B	0.0%	4.6%	7.6%	9.2%	11.5%	15.3%
M&S CCI % 8 CAL. CITIES CLASS B	0.0%	4.5%	5.8%	7.7%	10.1%	15.9%
M&S CCI % S.F. & L.A. CLASS B	0.0%	5.2%	8.1%	11.6%	13.4%	18.0%
LSI CI % CALIFORNIA	0.0%	3.5%	8.7%	10.2%	14.2%	19.6%

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
September 2, 2004

Dwelling Unit and Student Yield Factor Augmentations

PURPOSE

1. To present regulatory language that clarifies the stopping point in allowing dwelling unit augmentations.
2. To provide information pertaining to the Cohort Survival Method Calculation Analysis.

DWELLING UNIT BACKGROUND

From the inception of the School Facility Program (SFP), school districts have been able to augment the five-year projection based on the number of pupils that will reside in dwelling units included in approved and valid tentative and final subdivision maps. The purpose of this augmentation is to allow school districts time to plan for the pupils that will be enrolled in their school district. The augmentation allows school districts to use eligibility today to plan for pupils' needs in the future. Any request to include dwelling units on the Form SAB 50-01 (see Attachment A) requires district certification that the local planning commission or approval authority has approved the tentative and final subdivision maps. This certification also is required to state that the tentative and final subdivision maps used to support the request are available at the district for Office of Public School Construction (OPSC) verification.

The OPSC conducted educational workshops throughout the State to clarify what an approved and valid tentative and final subdivision map is, the necessary supporting documentation for proper reporting and the process of including dwelling units on the Form SAB 50-01. A common theme among districts who attended the workshops was the lack of communication between the planning authority and the school district and how this relationship impacted their ability to track dwelling units accurately and in a timely manner. The OPSC strongly recommended that school districts begin developing a relationship with their planning authority and become involved with the residential development activity within their boundaries. To assist districts in properly reporting their dwelling unit augmentation, OPSC has developed a dwelling unit brochure that addresses the new submittal requirements, as well as, frequently asked questions.

DWELLING UNIT DISCUSSION

At the previous meeting, Staff presented two additional stopping point options for reporting dwelling units as follows:

- → The point in time permits are pulled, plus 12 months
- → The point in time permits are pulled, plus 18 months

During the first presentation, Staff presented the date of occupancy as a stopping point option. The option has been reconsidered by Staff based on comments from Committee and audience members who indicate that the date of occupancy is a viable option because the information should be readily available at the County Recorder's Office. While Staff has received numerous comments that it is difficult for some districts to collect the occupancy data, Staff would like to recommend giving districts an option. To ensure districts have the ability to request dwelling unit augmentations through a method in which they are able to provide appropriate documentation, Staff is recommending that districts have two options for the stopping point when reporting dwelling units:

- → The point in time permits are pulled, plus 6 months
- → The point in time the dwelling unit is occupied.

Districts would be required to pick one option for all tract map submittals and supply supporting documentation to justify their request. This means a district would use either the date of occupancy or permits pulled, plus six months as the stopping point for all of the tract maps. (Please Note: Districts may select the alternate option the following submittal year if desired.) This approach will address concerns by smaller school districts and will provide the OPSC with a tangible audit trail for the number of reported dwelling units.

INQUIRIES FROM THE AUGUST 5, 2004 IMPLEMENTATION COMMITTEE MEETING

Dwelling Unit Reporting - Starting Point

Committee Members were concerned that the discussion focused primarily on addressing the "back-end" of the dwelling unit reporting issue and neglected to address what was being reported on the "front-end". The basis for this discussion was the lack of a time limitation on how long a district can continue to report a tract map. A suggestion was brought up to restrict the age of a map to five years old prior to the submittal of the Form SAB 50-03. This would correspond to the period of time used to calculate the Student Yield Factor report. Since the Student Yield Factor and the dwelling units are tied together when augmenting the enrollment projection, it would stand to reason the time period for reporting each should be parallel. Staff will continue to look into issues regarding front-end time limits on counting tentative tract maps.

Cohort Survival Projection Method Study Findings

Audience members requested Staff look into identifying rural, suburban and urban areas in the study. In doing so, Staff has added 21 additional school districts to the original study (Attachments D). In all, Staff has reviewed 75 school districts throughout the State, which represents more than 25 percent of the school districts that established eligibility during the first year of the Program.

The overall findings of the second study (Attachment E) show very little change from the original study. There was a slight increase in the statewide overall enrollment projection which is over-predicting enrollment when compared to the actual enrollment. The statewide enrollment projection in the second study is over-predicting enrollment by 4.6%, which is a .7% increase from the original study.

As the study shows, the majority of school districts reviewed were from suburban areas with only a small number of districts coming from rural or urban areas. While urban and suburban school districts fall under the same statewide enrollment projection trend of over-prediction, rural school districts show a different trend. In this study, rural school districts are under-predicting by an average of 11.5 percent*. However, with the two options of reporting dwelling units until the date of occupancy or until permits are pulled, plus six months, rural area school districts will now have a better opportunity to retain eligibility for planning purposes.

* Please Note: The number of rural school districts identified in this study represent only a small portion of all of the rural school districts in the State and may not accurately represent the enrollment projection for all rural area school districts.

RECOMMENDATION

Staff recommends a regulatory change that allows districts two options:

- → The point in time permits are pulled, plus 6 months
- → The point in time the dwelling unit is occupied.

GENERAL INFORMATION

To determine a district's initial eligibility for new construction funding under the School Facility Program, the district must provide enrollment information for the current and previous three years on this form. After the initial submittal, this form need only be resubmitted when the district requests additional new construction funding in a new enrollment year or as a result of a reorganization election that affects either the district's enrollment or existing school building capacity.

The following documentation must be submitted with this form (as appropriate):

- Specific enrollment data for district's with current enrollment that is less than 300 if the district is requesting an enrollment projection based on five-year average enrollment data (refer to Part A).
- A copy of the study supporting student yield factors if the district is requesting an augmentation of it's enrollment projection due to pupils residing in new dwelling units and it is not using the State yield factors (refer to Part F).

A high school district, unified school district, or county superintendent of schools may file on a high school attendance area (HSAA) basis or Super HSAAs as provided under Education Code Section 17071.76 and Section 1859.41. In that case, the enrollment used on this form is the current and three previous years enrollment in the HSAA or Super HSAA.

This form is not used for modernization funding applications.

PART A. ENROLLMENT DATA—(to be completed by school districts or the county superintendent of schools)

The information needed to complete this form is based on the latest California Basic Education Data Systems ~~(CBEDS)~~ that is available approximately October 15th of each year. Applications filed on or after November 1st must include the current school year enrollment. Report the current year and the three prior years K–12 enrollment. High school districts report the unduplicated enrollment data for grades served by the district and all feeder elementary school grades for the current year and the previous three years.

As an option, school districts with less than 300 current enrollment may report the previous five year average for any grade level for any year when the enrollment for that grade level has decreased by more than 50 percent from the previous year. If this option is used, the district must identify each grade level where this option is used on Form SAB 50-01 and attach the appropriate enrollment documentation to support this request.

County superintendents report the enrollment for community school students as reported in April prior to the latest CBEDS report.

The enrollment data must include all off-track and on-track students attending multitrack year round schools, students living outside the district's boundaries but attending schools in the district, students receiving Classroom-Based Instruction in Charter Schools located within the district boundaries and are enrolled in the same grade levels or type served by the district regardless if the district chartered the school, students attending magnet schools, community school students, and students attending independent study.

Do not include students living in the district's boundaries but attending other districts, students attending regional occupational programs, students attending preschool programs, other students not generally considered K–12 students including adult education students, students receiving Classroom-Based Instruction in Charter Schools located within the district boundaries but are enrolled in grade levels or type not served by the district, students living inside district boundaries but are receiving Classroom-Based Instruction in Charter Schools located outside the district boundaries, students receiving Nonclassroom-Based Instruction, juvenile court/court school students, special day class pupils, or continuation high school pupils.

PART B. PUPILS ATTENDING SCHOOLS CHARTERED BY ANOTHER DISTRICT

Of the data reported in Part A of this form, indicate the aggregate pupil enrollment attending schools chartered by another district which are located within your district boundaries for the current year and the three prior years. If the district is reporting pupils attending schools chartered by another district for the current year, then the district must submit a separate letter with the following information:

- The total Charter School enrollment listed by each of the K–12 grade levels reported for the current year.
- A list of the other school district(s) that chartered school(s) within your boundaries. Include the Charter School name(s) and total school enrollment.

For the previous years, report the total enrollment for pupils attending schools chartered by another district, if known. If the information is not available, enter N/A. In this case, the OPSC will adjust the previous years' enrollment data based on a prorated basis of the rate of growth or decline of the previous years' enrollment.

Enter 0 if there are no pupils attending schools chartered by another district within your district boundaries for the current or previous years.

PART C. CONTINUATION HIGH SCHOOL—(to be completed by school districts only)

Report the continuation high school enrollment for the current year and the three previous years. For purposes of projecting the enrollment, these pupils will be added to the enrollment data in Part A.

PART D. SPECIAL DAY CLASS PUPILS—(to be completed by school districts or the county superintendent of schools)

Report the pupils attending the special day classes as shown and reported to the California Department of Education in December prior to the latest CBEDS report. Use pupil descriptions as provided in Section 1859.2 for Non-Severely Disabled Individual with Exceptional Needs and Severely Disabled Individual with Exceptional Needs.

PART E. SPECIAL DAY CLASS ENROLLMENT—(to be completed by county superintendent of schools only)

Report the total of special day class pupils in all categories for the three previous years.

PART F. NEW DWELLING UNITS—(to be completed by school districts only)

The district may augment the enrollment projection based on the number of pupils that ~~will reside in dwelling units included in an approved subdivision map or valid tentative subdivision map. The district must certify as part of this form that the local planning commission or approval authority has approved the tentative subdivision map that is currently valid (i.e., the approval from the planning commission or approval authority has not expired) and the district has identified the dwelling units in that subdivision map to be constructed. All proposed dwelling units in that subdivision may be used to augment the district's enrollment projection. Report those dwelling units in Part E. Any request for augmentation of the district's enrollment projection must be made by separate letter from the district with this form. The district must certify as part of this form that the approved or valid tentative subdivision map(s) used to support this request are available at the district for OPSC verification.~~are anticipated as a result of proposed dwelling units included in approved and valid tentative or final subdivision maps.

The district must provide all of the following:

- The approval dates of the maps by the local planning commission or approval authority; and,
- The number of dwelling units to be built within each subdivision excluding all dwelling units that have either 1) been occupied; or, 2) had construction permits pulled that are six months or older from the date the permit was pulled. (Please Note: A district must select only one option—the date of occupancy or permits pulled, plus six months—as the point in time to stop reporting dwelling units for all tracts being submitted. A district may select the alternate option the following submittal year if desired.); and,
- One of the following:
  1. An approved and valid tentative or final subdivision map with the local planning commission or approval authority stamp located on the map, or
  2. An approved and valid tentative or final subdivision map with supporting documentation, or
  3. A spreadsheet or the OPSC dwelling unit worksheet listing all of the subdivisions reported on the Form SAB 50-01 with supporting documentation. If the district wishes to utilize this option, please note that when the district representative signs the Form SAB 50-01, he/she is certifying that the tract maps are on file at the district office and available for OPSC review if requested.

Supporting documentation is defined as one of the following:

- Local planning commission or approval authority meeting minutes detailing the approval of the map. If the approval was given an extension, please provide the most current meeting minutes indicating the approval of the extension request. Dwelling units contained in expired maps may not be reported on the Form SAB 50-01, or
- A letter from the local planning commission or approval authority indicating that the tract map is approved and valid as of the signature date of the Form SAB 50-01, or
- Any other reasonable documentation from the local planning commission or approval authority that indicates the tract map is approved and currently valid.

Report the determined number of dwelling units in Part F.

PART G. YIELD FACTOR—(to be completed by school districts only)

Report the district's student yield factors as defined in Section 1859.2, if different than the statewide average student yield factor. The statewide average student yield factors are as follows:

- Elementary School District..... 0.5 students per dwelling unit
- High School District..... 0.2 students per dwelling unit
- Unified School District..... 0.7 students per dwelling unit

Should the district wish to use its own student yield factors, a copy of the district's study that justifies the student yield factors must be submitted with this form.

PART H. FIVE YEAR PROJECTED ENROLLMENT—Used for School Facility Program. To be completed by the Office of Public School Construction (OPSC).

PART I. ONE YEAR PROJECTED ENROLLMENT—Used for State Relocatable Program. To be completed by the OPSC. Do not manually complete Parts H or I.

Complete this form manually, sign, date, and submit to the OPSC for computations. A completed copy of this form with the enrollment projections will be returned to the district.

The methodology for calculating the district's projected enrollment is outlined in Sections 1859.42 and 1859.43.

SCHOOL DISTRICT	FIVE DIGIT DISTRICT CODE NUMBER (SEE CALIFORNIA PUBLIC SCHOOL DIRECTORY)
COUNTY	HIGH SCHOOL ATTENDANCE AREA (HSAA) OR SUPER HSAA (IF APPLICABLE)

PART A. ENROLLMENT DATA—(Districts or County Superintendent of Schools)

Grade	3rd Previous /	2nd Previous /	Previous /	Current /
K				
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
Total				

PART B. PUPILS ATTENDING SCHOOLS CHARTERED BY ANOTHER DISTRICT

3rd Previous	2nd Previous	Previous	Current

PART C. CONTINUATION HIGH SCHOOL—(Districts only)

Grade	3rd Previous /	2nd Previous /	Previous /	Current /
9				
10				
11				
12				

PART D. SPECIAL DAY CLASS PUPILS—(Districts or County Superintendent of Schools)

	Elementary		Secondary			Elementary		Secondary	
	Non-Severe	Severe	Non-Severe	Severe		Non-Severe	Severe	Non-Severe	Severe
MR					OI				
HH					OHI				
DEAF					SLD				
HI					DB				
SLI					MH				
VI					AUT				
SED					TBI				
					TOTAL				

PART E. SPECIAL DAY CLASS ENROLLMENT—(County Superintendent of Schools only)

3rd Previous	2nd Previous	Previous

PART F. NUMBER OF NEW DWELLING UNITS

PART G. DISTRICT STUDENT YIELD FACTOR

PART H. FIVE YEAR PROJECTED ENROLLMENT—School Facility Program Projections
(Except Special Day Class pupils only)

K–6	7–8	9–12	Total

Projections—Special Day Class Pupils Only

	Elementary		Secondary			Elementary		Secondary	
	Non-Severe	Severe	Non-Severe	Severe		Non-Severe	Severe	Non-Severe	Severe
MR					OI				
HH					OHI				
DEAF					SLD				
HI					DB				
SLI					MH				
VI					AUT				
SED					TBI				
					TOTAL				

PART I. ONE YEAR PROJECTED ENROLLMENT—State Relocatable Program Projections
(Except Special Day Class pupils only)

K–6	7–8	9–12	Total

Projections—Special Day Class Pupils Only

	Elementary		Secondary			Elementary		Secondary	
	Non-Severe	Severe	Non-Severe	Severe		Non-Severe	Severe	Non-Severe	Severe
MR					OI				
HH					OHI				
DEAF					SLD				
HI					DB				
SLI					MH				
VI					AUT				
SED					TBI				
					TOTAL				

I certify, as the District Representative, that the information reported on this form is true and correct and that:

- *I am designated as an authorized district representative by the governing board of the district.*
- *If the district is requesting an augmentation in the enrollment projection pursuant to Section 1859.42 (b), the local planning commission or approval authority has approved the tentative subdivision map used for augmentation of the enrollment and the district has identified dwelling units in that map to be contracted. All subdivision maps used for augmentation of enrollment are available at the district for review by the OPSC.*
- *This form is an exact duplicate (verbatim) of the form provided by Office of Public School Construction. In the event a conflict should exist, then the language in the OPSC form will prevail.*

SIGBATURE OF DISTRICT REPRESENTATIVE	DATE

ATTACHMENT B

Article 5. Enrollment Projections

Section 1859.42. Projecting Non-Special Day Class Enrollment.

The district enrollment, as reported on the Form SAB 50-01, shall be used to calculate the district's projected enrollment other than Special Day Class enrollment. The OPSC shall use the following methodology to determine the districts projected enrollment:

(a) All projected enrollment with the exception of Special Day Class enrollment shall be calculated pursuant to the cohort survival enrollment projection system which is described as follows:

(1) For all grades, determine the numerical change in enrollment between the current grade and the next lower grade in the previous year; determine the numerical change in enrollment between the previous year grade and the next lower grade in the second previous year; determine the numerical change in enrollment between the second previous year grade and the next lower grade in the third previous year. Determine the numerical change of kindergarten enrollment on the second previous and third previous year respectively.

(2) Compute the annual change in enrollment as explained in (1) for each grade. The annual change shall then be weighted by multiplying the most recent annual change in enrollment by three, the next most recent annual change by two, and the earliest annual change by one, and dividing the sum of the annual weighted changes for each grade by six. The result shall be the average annual change.

(3) Progress the latest reported enrollment through the five-year projection period, modifying the grade progression each year by the average annual change for each grade as computed in (2).

(b) The enrollment projection will be augmented based on the number of pupils as reported by the district on Form SAB 50-01, that will reside in dwelling units included in an approved ~~subdivision map or~~ and valid tentative or final subdivision map that exceed the number of pupils projected as a result of the cohort survival method for that tentative or final subdivision map. The augmentation shall be as follows:

(1) Progress the current enrollment as reported on Form SAB 50-01, for one year for each grade level. For kindergarten, the progressed current enrollment shall be the same as the reported current enrollment.

(2) Subtract the current enrollment progressed one year for each grade level from the one-year projection of enrollment for each grade level as determined in (a). If the computation results in a negative number, the number shall be deemed zero.

(3) Divide the current enrollment progressed one year for each grade level by the sum of the current enrollment progressed one year in all grade levels.

(4) Multiply the number of housing units in the approved and valid tentative or final subdivision maps by the pupil yield factor provided on the Form SAB 50-01.

(5) Multiply the number of pupils determined in (4) by the percentages determined in (3) for each grade.

(6) Subtract five times the value determined in (2) from the value determined in (5). If the computation results in a negative number, the number shall be deemed zero.

(7) Add the value in (6) to the fifth year of projected enrollment as computed in (a) to establish the augmented projection of enrollment.

(c) The projected enrollment of a HSAA or Super HSAA shall be computed in the same manner as that set forth in this section, except that the enrollment used in such computation shall be that of the HSAA or Super HSAA rather than the entire district. Augmentation as provided in (b) of this Section may include only dwelling units located in the HSAA or Super HSAA.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17071.75 and 17071.76, Education Code.

ATTACHMENT C

RELEVANT GOVERNMENT CODE SECTIONS

Student Yield Factor Reporting

Government Code Section 65995.6

65995.6. (a) The school facilities needs analysis required by paragraph (2) of subdivision (b) of Section 65995.5 shall be conducted by the governing board of a school district to determine the need for new school facilities for unhoused pupils that are attributable to projected enrollment growth from the development of new residential units over the next five years. The school facilities needs analysis shall project the number of unhoused elementary, middle, and high school pupils generated by new residential units, in each category of pupils enrolled in the district. This projection of unhoused pupils shall be based on the historical student generation rates of new residential units constructed during the previous five years that are of a similar type of unit to those anticipated to be constructed either in the school district or the city or county in which the school district is located, and relevant planning agency information, such as multiphased development projects, that may modify the historical figures. For purposes of this paragraph, "type" means a single family detached, single family attached, or multifamily unit. The existing school building capacity shall be calculated pursuant to Article 2 (commencing with Section 17071.10) of Chapter 12.5 of Part 10 of the Education Code. The existing school building capacity shall be recalculated by the school district as part of any revision of the needs analysis pursuant to subdivision (e) of this section. If a district meets the requirements of paragraph (3) of subdivision (b) of Section 65995.5 by having a substantial enrollment on a multitrack year-round schedule, the determination of whether the district has school building capacity area shall reflect the additional capacity created by the multitrack year-round schedule.

(b) When determining the funds necessary to meet its facility needs, the governing board shall do each of the following:

(1) Identify and consider any surplus property owned by the district that can be used as a schoolsite or that is available for sale to finance school facilities.

(2) Identify and consider the extent to which projected enrollment growth may be accommodated by excess capacity in existing facilities.

(3) Identify and consider local sources other than fees, charges, dedications, or other requirements imposed on residential construction available to finance the construction or reconstruction of school facilities needed to accommodate any growth in enrollment attributable to the construction of new residential units.

(c) The governing board shall adopt the school facility needs analysis by resolution at a public hearing. The school facilities needs analysis may not be adopted until the school facilities needs analysis in its final form has been made available to the public for a period of not less than 30 days during which time the school facilities needs analysis shall be provided to the local agency responsible for land use planning for its review and comment. Prior to the adoption of the school facilities needs analysis, the public shall have the opportunity to review and comment on the school facilities needs analysis and the governing board shall respond to written comments it receives regarding the school facilities needs analysis.

(d) Notice of the time and place of the hearing, including the location and procedure for viewing or requesting a copy of the proposed school facilities needs analysis and any proposed revision of the school facilities needs analysis, shall be published in at least one newspaper of general circulation within the jurisdiction of the school district that is conducting the hearing no less than 30 days prior to the hearing. If there is no paper of general circulation, the notice shall be posted in at least three conspicuous public places within the jurisdiction of the school district not less than 30 days prior to the hearing. In addition to these notice requirements, the governing board shall mail a copy of the school facilities needs analysis and any proposed revision to the school facilities needs analysis not less than 30 days prior to the hearing to any person who has made a written request if the written request was made 45 days prior to the hearing. The governing board may charge a fee reasonably related to the cost of providing these materials to those persons who request the school facilities needs analysis or revision.

(e) The school facilities needs analysis may be revised at any time in the same manner, and the revision is subject to the same conditions and requirements, applicable to the adoption of the school facilities needs analysis.

(f) A fee, charge, dedication, or other requirement in an amount authorized by this section or Section 65995.7, shall be adopted by a resolution of the governing board as part of the adoption or revision of the school facilities needs analysis and may not be effective for more than one year. Notwithstanding subdivision (a) of Section 17621 of the Education Code, or any other provision of law, the fee, charge, dedication, or other requirement authorized by the resolution shall take effect immediately after the adoption of the resolution.
(g) Division 13 (commencing with Section 21000) of the Public Resources Code may not apply to the preparation, adoption, or update of the school facilities needs analysis, or adoption of the resolution specified in this section.
(h) Notice and hearing requirements other than those provided in this section may not be applicable to the adoption or revision of a school facilities needs analysis or the resolutions adopted pursuant to this section.

Tentative and Final Subdivision Maps

Government Code Section 66425-66426

66425. The necessity for tentative, final and parcel maps shall be governed by the provisions of this chapter.

66426. A tentative and final map shall be required for all subdivisions creating five or more parcels, five or more condominiums as defined in Section 783 of the Civil **Code**, a community apartment project containing five or more parcels, or for the conversion of a dwelling to a stock cooperative containing five or more dwelling units, except where any one of the following occurs:
(a) The land before division contains less than five acres, each parcel created by the division abuts upon a maintained public street or highway, and no dedications or improvements are required by the legislative body.
(b) Each parcel created by the division has a gross area of 20 acres or more and has an approved access to a maintained public street or highway.
(c) The land consists of a parcel or parcels of land having approved access to a public street or highway, which comprises part of a tract of land zoned for industrial or commercial development, and which has the approval of the governing body as to street alignments and widths.
(d) Each parcel created by the division has a gross area of not less than 40 acres or is not less than a quarter of a quarter section.
(e) The land being subdivided is solely for the creation of an environmental subdivision pursuant to Section 66418.2.
(f) A parcel map shall be required for those subdivisions described in subdivisions (a), (b), (c), (d), and (e).

ATTACHMENT D

SUMMARY OF COHORT SURVIVAL CALCULATION ANALYSIS		Small	Medium	Large	North	Central	South	Projection for 03/04 (Zero DUs)	Percent Difference	Projection for 03/04 (DUs & SYF)	Percent Difference	Actual Enroll. for 03/04
N0 DU's Reported - CBEDS ONLY	District A			X			X	18,875	-4.8%	18,875	-4.8%	19,827
	District B			X			X	23,417	6.7%	23,417	6.7%	21,948
	District C			X			X	17,114	7.9%	17,114	7.9%	15,866
	District D	X				X		4,003	-6.7%	4,003	-6.7%	4,292
	District E	X					X	254	30.3%	254	30.3%	195
	District F		X				X	7,216	-1.6%	7,216	-1.6%	7,333
	District G			X	X			55,643	-2.7%	55,643	-2.7%	57,197
	District H	X			X			4,425	1.9%	4,425	1.9%	4,342
	District I		X			X		8,472	-6.6%	8,472	-6.6%	9,071
	District M	X				X		265	16.2%	265	16.2%	228
	District N	X			X			1,937	3.2%	1,937	3.2%	1,877
	District O		X				X	9,548	4.0%	9,548	4.0%	9,184
	District P	X					X	5,154	-1.5%	5,154	-1.5%	5,235
	District Q	X			X			4,665	-3.0%	4,665	-3.0%	4,807
	District R		X				X	7,620	6.1%	7,620	6.1%	7,181
	District S			X			X	42,702	1.6%	42,702	1.6%	42,039
	District T			X			X	17,322	6.1%	17,322	6.1%	16,330
	District U	X				X		510	-18.0%	510	-18.0%	622
	District V		X				X	11,748	14.4%	11,748	14.4%	10,268
								12,678	1.3%	12,678	1.3%	12,518
USING DU's and STATEWIDE SYF	District W	X			X			5,644	-5.1%	6,722	13.0%	5,949
	District X	X				X		2,410	-15.9%	2,687	-6.2%	2,864
	District Y			X		X		32,953	-4.7%	35,017	1.2%	34,588
	District Z		X		X			4,959	-29.2%	6,706	-4.3%	7,008
	District AA	X			X			4,072	-16.4%	6,880	41.3%	4,870
	District BB	X			X			1,135	20.2%	1,166	23.5%	944
	District CC		X			X		13,529	3.3%	13,639	4.1%	13,098
	District DD	X					X	831	-46.7%	973	-37.5%	1,558
	District EE		X				X	7,011	-3.6%	7,016	-3.5%	7,273
	District FF	X				X		2,460	13.5%	2,467	13.8%	2,168
	District GG			X			X	12,605	-19.4%	13,670	-12.6%	15,640
	District HH	X				X		3,354	3.1%	3,625	11.4%	3,253
	District II			X		X		20,319	3.2%	21,176	7.6%	19,689
	District JJ			X			X	27,767	11.4%	28,851	15.7%	24,934
	District KK			X			X	19,669	-4.4%	20,093	-2.4%	20,584
	District LL		X		X			7,909	-14.5%	8,070	-12.7%	9,246
	District MM		X				X	5,282	-27.4%	5,360	-26.3%	7,273
	District NN			X			X	12,948	-14.2%	19,001	25.9%	15,090
	District OO		X			X		5,842	-3.9%	6,048	-0.6%	6,082
	District PP		X			X		5,762	-25.4%	6,772	-12.3%	7,720
	District QQ		X			X		7,707	-14.0%	8,230	-8.1%	8,959
	District RR	X			X			4,309	-8.0%	4,392	-6.3%	4,685
	District BBB	X					X	3,637	-27.4%	5,999	19.7%	5,013
	District CCC			X			X	27,378	2.7%	28,584	7.2%	26,662
	District DDD			X			X	24,092	-3.4%	24,761	-0.8%	24,951
	District EEE		X		X			6,390	-27.6%	9,886	12.0%	8,830
								10,384	-6.6%	11,454	3.1%	11,113
DU's and DISTRICT SYF	District SS			X			X	37,554	-9.3%	38,945	-5.9%	41,382
	District TT		X				X	7,302	-6.6%	10,195	30.5%	7,814
	District UU			X			X	35,162	1.1%	35,709	2.6%	34,792
	District VV		X			X		9,560	4.5%	10,139	10.8%	9,148
	District WW		X				X	6,512	-2.4%	7,391	10.8%	6,672
	District XX	X				X		3,360	-23.8%	4,071	-7.6%	4,407
	District YY			X			X	34,801	6.5%	36,406	11.4%	32,679
	District ZZ			X	X			21,445	-2.5%	26,452	20.3%	21,988
	District AAA		X				X	12,005	-4.6%	12,934	2.7%	12,590
								18,633	-2.2%	20,249	6.3%	19,052
		18	18	18	12	15	27					

TOTAL DISTRICTS:	**54**
Small (0-6,000 pupils)	**18**
Medium (6,001-15,000	**18**
Large (15,001+ pupils)	**18**
North (north of Stanislaus)	**12**
Central	**15**
South (south of Kern)	**27**

For "Percent Difference":

~ Positive percentage = the projection > enrollment. (the 50-01 is over-projecting)

~ Negative percentage = the projection < enrollment. (the 50-01 is under-projecting)

Projection for 03/04	Percent Difference	Actual Enroll. for 03/04
Small:		
3,344	5.0%	3,184
Medium:		
9,436	9.8%	8,597
Large:		
27,985	3.3%	27,101
North:		
11,302	2.9%	10,979
Central:		
8,475	0.7%	8,413
South:		
16,921	3.8%	16,308

Overall conclusion:

Using data from 54 school districts throughout the State encompassing Northern, Central and Southern regions and from districts ranging in size from 200 to 55,000 pupils, the OPSC compared information provided on the Form SAB 50-01 and the actual enrollment. The statewide average 5-year enrollment projection using zero dwelling units and the statewide student yield factor was 13,898 pupils. The average actual statewide enrollment at the end of the 5 year period culminating in the 03/04 school year was 14,228 - a net **difference of -2.314%.** (Actual enrollment was higher than the projection by an average of 330 pupils.)

Using the dwelling units and student yield factor figures reported on the Form SAB 50-01 application and using the same set of sample districts, the statewide average 5-year enrollment projection was 14,794. Comparing the actual enrollment at the end of the 5 year period resulted in a net **difference of +3.978%**. (The enrollment projection over-predicted what the actual enrollment would be when factored with dwelling units.) These figures provide evidence that the cohort survival method does an accurate job of estimating the 5-year enrollment projection.

	Projection for 03/04 (Zero DUs)	Percent Difference	Projection for 03/04 DU's & SYF)	Percent Difference	Actual Enroll. for 03/04
Statewide average ~	13,898	-2.314%	14,794	3.978%	14,228

ATTACHMENT E

SUMMARY OF COHORT SURVIVAL CALCULATION ANALYSIS		Small	Medium	Large	North	Central	South	Rural	Suburban	Urban	Projection for 03/04 (Zero DUs)	Percent Difference	Projection for 03/04 (DUs & SYF)	Percent Difference	Actual Enroll. for 03/04
N0 DU's Reported - CBEDS ONLY	District A			X			X			X	18,875	-4.8%	18,875	-4.8%	19,827
	District B			X			X			X	23,417	6.7%	23,417	6.7%	21,948
	District C			X			X		X		17,114	7.9%	17,114	7.9%	15,866
	District D	X				X			X		4,003	-6.7%	4,003	-6.7%	4,292
	District E	X					X		X		254	30.3%	254	30.3%	195
	District F		X				X		X		7,216	-1.6%	7,216	-1.6%	7,333
	District G			X	X				X		55,643	-2.7%	55,643	-2.7%	57,197
	District H	X			X				X		4,425	1.9%	4,425	1.9%	4,342
	District I		X			X			X		8,472	-6.6%	8,472	-6.6%	9,071
	District M	X				X		X			265	16.2%	265	16.2%	228
	District N	X			X				X		1,937	3.2%	1,937	3.2%	1,877
	District O		X				X		X		9,548	4.0%	9,548	4.0%	9,184
	District P	X					X		X		5,154	-1.5%	5,154	-1.5%	5,235
	District Q	X			X				X		4,665	-3.0%	4,665	-3.0%	4,807
	District R		X				X		X		7,620	6.1%	7,620	6.1%	7,181
	District S			X			X			X	42,702	1.6%	42,702	1.6%	42,039
	District T			X			X			X	17,322	6.1%	17,322	6.1%	16,330
	District U	X				X		X			510	-18.0%	510	-18.0%	622
	District V		X				X		X		11,748	14.4%	11,748	14.4%	10,268
	District 1	X				X			X		5,783	7.2%	5,783	7.2%	5,396
	District 2	X					X			X	3,000	-14.3%	3,000	-14.3%	3,500
	District 3		X				X		X		8,876	-8.9%	8,876	-8.9%	9,742
	District 4	X			X			X			1,657	-16.0%	1,657	-16.0%	1,973
	District 5		X				X		X		9,723	-15.9%	9,723	-15.9%	11,557
	District 6			X			X		X		40,852	-7.2%	40,852	-7.2%	43,998
	District 7		X				X		X		11,347	-19.2%	11,347	-19.2%	14,048
	District 8		X				X		X		8,357	-14.8%	8,357	-14.8%	9,805
	District 9	X				X		X			106	76.7%	106	76.7%	60
	District 10		X				X		X		7,620	6.1%	7,620	6.1%	7,181
	District 11			X			X		X		39,887	12.2%	39,887	12.2%	35,550
											12,603	-0.7%	12,603	-0.7%	12,688
USING DU's and STATEWIDE SYF	District W	X			X				X		5,644	-5.1%	6,722	13.0%	5,949
	District X	X				X			X		2,410	-15.9%	2,687	-6.2%	2,864
	District Y			X		X			X		32,953	-4.7%	35,017	1.2%	34,588
	District Z		X		X				X		4,959	-29.2%	6,706	-4.3%	7,008
	District AA	X			X				X		4,072	-16.4%	6,880	41.3%	4,870
	District BB	X			X			X			1,135	20.2%	1,166	23.5%	944
	District CC		X			X				X	13,529	3.3%	13,639	4.1%	13,098
	District DD	X					X	X			831	-46.7%	973	-37.5%	1,558
	District EE		X				X		X		7,011	-3.6%	7,016	-3.5%	7,273
	District FF	X				X			X		2,460	13.5%	2,467	13.8%	2,168
	District GG			X			X		X		12,605	-19.4%	13,670	-12.6%	15,640
	District HH	X				X			X		3,354	3.1%	3,625	11.4%	3,253
	District II			X		X			X		20,319	3.2%	21,176	7.6%	19,689
	District JJ			X			X		X		27,767	11.4%	28,851	15.7%	24,934
	District KK			X			X		X		19,669	-4.4%	20,093	-2.4%	20,584
	District LL		X		X				X		7,909	-14.5%	8,070	-12.7%	9,246
	District MM		X				X		X		5,282	-27.4%	5,360	-26.3%	7,273
	District NN			X			X		X		12,948	-14.2%	19,001	25.9%	15,090
	District OO		X			X			X		5,842	-3.9%	6,048	-0.6%	6,082

ATTACHMENT E

SUMMARY OF COHORT SURVIVAL CALCULATION ANALYSIS		Small	Medium	Large	North	Central	South	Rural	Suburban	Urban	Projection for 03/04 (Zero DUs)	Percent Difference	Projection for 03/04 (DUs & SYF)	Percent Difference	Actual Enroll. for 03/04
USING DU's and STATEWIDE SYF	District PP		X			X			X		5,762	-25.4%	6,772	-12.3%	7,720
	District QQ		X			X			X		7,707	-14.0%	8,230	-8.1%	8,959
	District RR	X			X				X		4,309	-8.0%	4,392	-6.3%	4,685
	District BBB	X					X		X		3,637	-27.4%	5,999	19.7%	5,013
	District CCC			X			X		X		27,378	2.7%	28,584	7.2%	26,662
	District DDD			X			X		X		24,092	-3.4%	24,761	-0.8%	24,951
	District EEE		X		X					X	6,390	-27.6%	9,886	12.0%	8,830
	District 12	X			X				X		1,428	-0.5%	2,088	45.5%	1,435
	District 13		X				X		X		9,339	-2.9%	10,064	4.7%	9,615
	District 14			X			X		X		17,185	-12.7%	18,263	-7.3%	19,693
	District 15		X				X		X		9,367	-7.2%	11,232	11.2%	10,098
	District 16	X			X				X		3,143	-21.8%	9,408	134.0%	4,020
	District 17	X					X		X		503	-21.2%	639	0.2%	638
	District 18	X				X		X			1,093	-14.4%	1,220	-4.5%	1,277
	District 19			X			X		X		16,889	-15.4%	16,924	-15.3%	19,970
											9,674	-7.5%	10,813	3.4%	10,461
DU's and DISTRICT SYF	District SS			X			X		X		37,554	-9.3%	38,945	-5.9%	41,382
	District TT		X				X		X		7,302	-6.6%	10,195	30.5%	7,814
	District UU			X			X		X		35,162	1.1%	35,709	2.6%	34,792
	District VV		X			X			X		9,560	4.5%	10,139	10.8%	9,148
	District WW		X				X		X		6,512	-2.4%	7,391	10.8%	6,672
	District XX	X				X			X		3,360	-23.8%	4,071	-7.6%	4,407
	District YY			X			X		X		34,801	6.5%	36,406	11.4%	32,679
	District ZZ			X	X				X		21,445	-2.5%	26,452	20.3%	21,988
	District AAA		X				X		X		12,005	-4.6%	12,934	2.7%	12,590
	District 20	X				X			X		2,269	-10.1%	2,364	-6.3%	2,523
	District 21			X			X		X		16,943	-14.1%	26,762	35.7%	19,723
											16,992	-3.5%	19,215	9.1%	17,611
		27	25	23	15	19	41	7	61	7					
Statewide Average ~											13,090	-3.7%	14,210	4.6%	13,587

TOTAL	**75**
Small (0-6,000 pupils)	**27**
Medium (6,001-15,000	**25**
Large (15,001+ pupils)	**23**
North (north of	**15**
Central	**19**
South (south of Kern)	**41**
Rural	**7**
Suburban	**61**
Urban	**7**

For "Percent Difference":

Positive percentage = the projection > enrollment.
(The 50-01 is over-projecting.)
Negative percentage = the projection < enrollment.
(The 50-01 is under-projecting.)

	Projection for 03/04 (Incl. DU & SYF)	Percent Difference	Actual Enroll. for 03/04
Small	3,202	10.6%	2,894
Medium	8,968	-1.1%	9,072
Large	28,105	3.4%	27,179
North	10,006	7.8%	9,278
Central	7,189	0.9%	7,127
South	16,351	2.3%	15,986
Rural	842	-11.6%	952
Suburban	13,481	3.1%	13,079
Urban	18,406	2.6%	17,939

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
September 2, 2004

PURCHASE AND CONVERSION OF NON-CONFORMING BUILDINGS FOR SCHOOL USE

PURPOSE

To outline a proposal for a case-by-case review of projects that request SFP funding for purchase and retrofit of non-conforming buildings for school use.

BACKGROUND

The Office of Public School Construction (OPSC) has been asked to look into the feasibility of funding for projects involving purchase and retrofit of existing buildings. Although the Education Code provides for such projects, districts claim that while site acquisition funding applies to the cost of the land only, the base grant amount is insufficient to pay for the purchase and retrofit of the building(s). Districts also contend that retrofitting a non-conforming building may be a more cost-effective approach as compared to the traditional method of purchasing, demolishing and building a-new. After the initial discussions and consideration of small number of projects anticipated, it was determined that case-by-case project review via an appeal would be most feasible.

AUTHORITY

The Education Code Section (ECS) 17072.35 states that "a grant for new construction may also be used to acquire an existing government or privately owned building, or a privately financed school building, and for the necessary costs of converting the government or privately owned building for public school use."

DISCUSSION

Explanation of Current Policy

Traditionally, new construction projects that involve land acquisition with existing improvements are eligible for SFP funding as follows:

- Site acquisition additional grant provides funding for the cost of the site which includes land and any existing buildings.
- The site development additional grant provides funding for demolition of existing structures.
- The per pupil base grant provides funding for new school facilities to be constructed on the site.

The OPSC requires school districts to separate its land acquisition cost from the value of existing improvements if they are to be used for school purposes. The base grant sets the budget for classroom construction. Thus, existing buildings that are not demolished become ineligible for site acquisition funding. The base grant must be sufficient to cover the cost of purchase and retrofit of the building. Providing funding for the building as part of site acquisition and the base grant would mean potential double-funding for the classrooms.

Proposal

The OPSC proposes developing regulations that would enable school districts to submit an appeal request if the potential project funding under the current policy is insufficient. This proposal would require a Board approval for additional funding.

The district may request a conceptual approval from the SAB prior to the submittal of a complete funding application. If the district chooses not to request a conceptual approval and the SAB does not approve any funding increases for the project, the district may withdraw its application and resubmit at a later date with revised Division of State Architect approved plans for a traditional demolition/rebuilding project.

To qualify for higher funding consideration, the project proposal must comply with all of the following requirements:

1. Districts must be able to certify that retrofitted buildings will be "in like new" condition upon completion of the work.
2. The number of pupil grants requested for the project must be commensurate with the number of classrooms to be provided.
3. The project must meet the 60 percent commensurate test. The district must show that it plans to spend at least 60 percent of the total project cost, less site acquisition, on eligible retrofit and construction work.
4. The school district must submit a *School District Appeal Request* (Form SAB 189) with all of the following as applicable:
    a. When a district opts for building retrofit, it must provide a detailed cost estimate of the proposed project including any new construction work in the project.
    b. A district should also provide an appraisal that values the land and improvements separately. The appraisal must be performed utilizing the cost approach, which is defined by the American Institute of Real Estate Appraisers as the "set of procedures in which an appraiser derives a value indication by estimating the current cost to reproduce or replace the existing structure, deducting for all accrued depreciation in the property and adding the estimated land value."
    c. A school district should provide the purchase price information if it is available at the time of conceptual approval request.
    d. A draft copy of the *Application for Funding* (Form SAB 50-04) which provides an estimate of pupil grants to be requested based on the number of classrooms to be constructed in the project.

If a school district submits the necessary documentation and substantiates the need for additional funding, the Board may approve site acquisition funding up to the full value of the site (including a portion of or the entire value of improvements; i.e., the building) in addition to the eligible base grant funding. In order to determine the amount of additional funding for site acquisition beyond land value, the OPSC will utilize the calculation involving the useable value of the building and the amount of retrofit required as shown on the attachment. Prorating of the building value will be applied in cases when only a portion of the acquired building will be utilized for school purposes.

The maximum funding provided will not exceed the full value of the site including the full value of the building and the eligible base grant funding based on the number of classrooms in the project. In cases where additional funding to warranted, the base grant funding will remain unchanged at the level established by the number of classrooms in the project, and the building costs will be funded in totality by either the site acquisition apportionment or in some cases, proportionately between the site acquisition apportionment and the base grant.

RECOMMENDATION

Staff suggests implementation of the proposal into a new regulation to be presented at the next Implementation Committee meeting.

Calculation:

Assume that appraised value of the property equals its Purchase Price (PP) and provides a separate cost analysis for land-only value and building-only value.

Step 1:

Value of Building (B) - Cost to Retrofit (R) Useable Building Value (V) *If negative, use zero*
(The useable building Value must be covered by base grant.)

Step 2:

Value of Building (B) - Useable Building Value (V) Unusable Building Value (U)
(This equals the compensation for required retrofit)

Step 3:

Pure Land Costs (L) + Unusable Building Cost (U) Site Acquisition Grant (S)
(This is the adjusted site acquisition cost that accounts for retrofit cost in-lieu of demolition)

Examples:
Below is a summary of hypothetical examples for discussion purposes only.

Example 1: Assume the following costs (in millions) for District A:

PP: $ 8
L: $ 4
B: $ 4
R: $ 4
G: $ 5

Step 1: B - R = V $4 – $4 = $0 *useable building value*
Step 2: B – V = U $4 – $0 = $4 *unusable building value*
Step 3: L + U = S $4 + $4 = $8 *Site Acquisition Grant*

District's Cost	Conversion per Current Regulations	Conversion Per Proposed Calculation	Traditional Demolition – New Construction Project
$ 8 Purchase Price $ 4 Retrofit $ 1 Some Site Dev.	$ 4 Land only $ 5 Base Grant $ 1 Some Site Dev.	$ 8 Site Acquisition $ 5 Base Grant $ 1 Some Site Dev.	$ 8 Site Acquisition $ 5 Base Grant $ 2 Site Dev. w/Demolition
$13 total	**$10 total**	**$14 total**	**$15 total**

Example 2: Assume the following costs (in millions) for District B:

PP: $ 6
L: $ 4
B: $ 2
R: $ 6
G: $ 5

Step 1: B - R = V $2 – $6 = $0 *useable building value*
Step 2: B – V = U $2 – $0 = $2 *unusable building value*
Step 3: L + U = S $4 + $2 = $6 *Site Acquisition Grant*

District's Cost	Conversion per Current Regulations	Conversion Per Proposed Calculation	Traditional Demolition – New Construction Project
$ 6 Purchase Price $ 6 Retrofit $ 1 Some Site Dev.	$ 4 Land only $ 5 Base Grant $ 1 Some Site Dev.	$ 6 Site Acquisition $ 5 Base Grant $ 1 Some Site Dev.	$ 6 Site Acquisition $ 5 Base Grant $ 2 Site Dev. w/Demolition
$13 total	**$10 total**	**$12 total**	**$13 total**

Example 3: Assume the following costs (in millions) for District C:

PP: $10
L: $ 4
B: $ 6
R: $ 2
G: $ 5

Step 1: B - R = V $6 – $2 = $4 *useable building value*
Step 2: B – V = U $6 – $4 = $2 *unusable building value*
Step 3: L + U = S $4 + $2 = $6 *Site Acquisition Grant*

District's Cost	Conversion per Current Regulations	Conversion Per Proposed Calculation	Traditional Demolition – New Construction Project
$10 Purchase Price $ 2 Retrofit $ 1 Some Site Dev.	$ 4 Land only $ 5 Base Grant $ 1 Some Site Dev.	$ 6 Site Acquisition $ 5 Base Grant $ 1 Some Site Dev.	$10 Site Acquisition $ 5 Base Grant $ 2 Site Dev. w/Demolition
$13 total	**$10 total**	**$12 total**	**$17 total**